

UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Hon.  
v. : Criminal No. 05-  
MARK COCCHIOLA and : 18 U.S.C. §§ 371, 1341, 1343,  
STEVEN VENECHANOS : 1344, and 2; 15 U.S.C. §§ 77x and  
78ff(a)

**I N D I C T M E N T**

The Grand Jury, in and for the District of New Jersey,  
sitting at Newark, charges that:

**COUNT 1**

**(Conspiracy)**

**Suprema Specialties, Inc.**

1. At all times relevant to this Indictment, Suprema Specialties, Inc. ("Suprema") was a New York corporation with its corporate headquarters, and a processing plant, located in Paterson, New Jersey ("the Paterson Facility"). At various times relevant to this Indictment, Suprema had three wholly-owned subsidiaries at which it manufactured and processed cheese for sale: Suprema Specialties West, Inc., located in Manteca, California; Suprema Specialties Northwest, Inc., located in Blackfoot, Idaho; and Suprema Specialties Northeast, Inc., located in Ogdensburg, New York. (All Suprema entities will hereafter be referred to collectively as "Suprema.")

2. At all times relevant to this Indictment, Suprema was engaged in the business of manufacturing, processing, and distributing a variety of purportedly all-natural cheese products. Suprema's product lines consisted primarily of mozzarella, ricotta, provolone, parmesan, and romano cheeses. Suprema sold its products to supermarkets and other retail establishments; food service industry distributors, which, in turn, sold the products to restaurants, hotels, and caterers, among others; and food manufacturers, which used the products in the preparation of prepared foods such as frozen pizza.

3. In or about April 1991, Suprema held an initial public offering of stock, which was then traded on the over-the-counter market. Suprema held secondary offerings of stock in or about June 1996, August 2000, and November 2001. From in or about March 1993 to in or about December 2001, Suprema's common stock was traded under the symbol "CHEZ" on the NASDAQ stock market, an electronic securities market administered by the National Association of Securities Dealers.

4. On or about February 24, 2002, Suprema filed a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code, which was converted to a Chapter 7 liquidation shortly thereafter. On or about March 1, 2002, NASDAQ de-listed Suprema's stock. Suprema and its subsidiaries are now defunct entities.

### **Defendants**

5. The defendant MARK COCCHIOLA was a founder of Suprema, and at all times relevant to this Indictment, was Suprema's President, Chief Executive Officer ("CEO"), and Chairman of its Board of Directors.

6. The defendant STEVEN VENECHANOS was employed by Suprema from in or about April 1994 to in or about December 2001. The defendant STEVEN VENECHANOS became Suprema's Secretary and Chief Financial Officer ("CFO") in or about April 1995. He was appointed to Suprema's Board of Directors in or about September 2001.

### **Co-conspirators and Related Companies**

7. An individual hereafter identified as "PL" was a founder of Suprema and, at all times relevant to this Indictment, was Suprema's Executive Vice President and a member of its Board of Directors. PL died in or about August 2001.

8. At all times relevant to this Indictment, Jack Gaglio was the founder, president, and 50% owner of A&J Cheese Co. ("A&J"), a 50% owner of Noble JG Cheese, LLC ("Noble"), a 50% owner of California Goldfield Cheese Trading LLC ("Goldfield"), and a 25% owner of Wall Street Cheese, LLC ("WSC"). A&J, Noble, Goldfield, and WSC were all in the business of buying and selling cheese products, and all were located in California.

9. At all times relevant to this Indictment, Robert

Quattrone was the President of Battaglia & Company, Inc. ("Battaglia") and Packing Products Company, Inc. ("Packing Products"), and was responsible for their day-to-day operations. Battaglia and Packing Products were in the business of importing and selling cheese, as well as other food products, and each had offices in New Jersey.

10. At all times relevant to this Indictment, George Vieira was the Chairman of the Board and President of West Coast Commodities, Inc. ("WCC"), which was in the business of brokering the sale of cattle and animal food products, and he was responsible for the day-to-day operation of California Milk Market, Inc. ("CMM"), which was in the business of brokering the sale of milk and milk-related products. Both WCC and CMM had offices in California. Between in or about November 2001 and in or about March 2002, George Vieira was the Chief Operating Officer of Suprema Specialties West, Inc. in Manteca, California.

11. At all times relevant to this Indictment, Lawrence Fransen controlled and ran LNN Enterprises ("LNN") and Wall Street Cheese, LLC ("WSC"), both of which had offices in California and were in the business of buying and selling cheese products. Lawrence Fransen was the founder and president of LNN, and a 25% owner of WSC.

12. At all times relevant to this Indictment, an

individual hereafter identified as "PZ" controlled a Canadian company that will be referred to herein as Company T. Company T was located in Vancouver, British Columbia, and was engaged in the food distribution business.

13. Between in or about November 1996 and in or about March 2002, John Van Sickell was employed by Suprema and worked at its Paterson Facility. From in or about November 1996 to in or about 2000, John Van Sickell was the Operations Manager of the Paterson processing plant, and as such, was responsible for running the day-to-day operations of the processing plant. In or about 2000, John Van Sickell became the Assistant to the Executive Vice President of Suprema.

14. From in or about 1994 to on or about December 19, 2001, an individual hereafter identified as "AC" worked as an employee of Suprema.

#### **Suprema's Required Public Disclosures**

15. At all times relevant to this Indictment, the Securities and Exchange Commission ("SEC") was an independent agency of the United States government that was charged by law with preserving honest and efficient markets in securities.

16. In order to sell securities to members of the public and maintain public trading of its securities in the United States, Suprema was required to comply with provisions of the federal securities laws, including the Securities Act of 1933

and the Securities Exchange Act of 1934, and rules and regulations promulgated thereunder, that were designed to ensure that a company's financial and business information was accurately recorded and disclosed to members of the investing public. Among other things, these laws and regulations required Suprema to: (a) file with the SEC, prior to the sale of its shares to the public, a registration statement and prospectus that described the Company's business and included financial statements audited by an independent accountant; and (b) file with the SEC annual financial statements audited by an independent accountant on Forms 10-K and interim quarterly financial statements on Forms 10-Q that disclosed its financial condition and the results of its business operations.

**Suprema's Revolving Loan Agreement or Line of Credit**

17. At all times relevant to this Indictment, Fleet Bank N.A., which became Fleet National Bank in or about September 2000, was a financial institution, the deposits of which were insured by the Federal Deposit Insurance Corporation ("FDIC"). In or about May 1996, Fleet merged with and acquired NatWest Bank N.A., which was also a financial institution, the deposits of which were insured by the FDIC. (These entities will hereafter be referred to collectively as "Fleet.")

18. At all times relevant to this Indictment, Suprema

was a party to a series of revolving loan agreements with Fleet as a means of financing its business operations (the "Revolving Loan Agreement"). By in or about 2000, a number of other banks that were insured by the FDIC had become parties to the Revolving Loan Agreement. (These banks will hereafter be referred to as the "Participating Banks.")

19. The Revolving Loan Agreement provided that Suprema could borrow against a certain percentage of its eligible accounts receivable (that is, amounts it was owed by customers for sales to those customers) and a percentage of the book value of certain of its inventory. The percentage of accounts receivable on which Suprema could borrow ranged from 80% to 85% (hereinafter, the "Eligible Accounts Receivable"). The percentage of inventory against which Suprema could borrow ranged from 35% to 60% (hereinafter, the "Eligible Inventory").

20. The Revolving Loan Agreement further provided, among other things, that Suprema could not borrow against any invoice that was outstanding for more than ninety days and could not borrow on an invoice unless the product reflected on that invoice had, in fact, been shipped and delivered to the customer.

21. The Revolving Loan Agreement also required Suprema to furnish Fleet on a monthly basis with an accounts receivable aging report, which listed the outstanding accounts receivable by date and customer, and an inventory report, which

included a complete aggregate dollar value of all inventory held by Suprema for the previous month. The Revolving Loan Agreement further required Suprema to provide a borrowing base certificate to Fleet each month listing the Eligible Accounts Receivable and the Eligible Inventory. That borrowing base certificate had to be certified by an officer of Suprema, and pursuant to the Revolving Loan Agreement, that certification constituted a representation to Fleet and the Participating Banks that, among other things, the information provided regarding Suprema's accounts receivable and inventory was true and correct in all material respects.

22. Pursuant to the Revolving Loan Agreement, both Fleet and the Participating Banks were obligated to fund Suprema's line of credit. When Suprema wished to borrow from its line of credit, it was supposed to submit a borrowing notice - or request - to Fleet as the Agent Bank, stating the amount of money it sought and the requested borrowing date. If Suprema was eligible to borrow that amount, Fleet was responsible for notifying the Participating Banks of the pending request and of each Participating Bank's share of the total amount requested, as specified in the Revolving Loan Agreement. Each Participating Bank was then obligated to transfer its share to Fleet, and Fleet was obligated to credit a Suprema account for the total amount of the loan.



23. Suprema's credit line increased dramatically over the years, and by October 2001, Suprema could borrow up to \$140 million under the Revolving Loan Agreement.

**The Conspiracy**

24. From in or about 1994 to in or about March 2002, in the District of New Jersey, and elsewhere, the defendants

MARK COCCHIOLA and  
STEVEN VENECHANOS

and others, knowingly and willfully combined, conspired, confederated and agreed to commit offenses against the United States, that is:

a. to execute a scheme and artifice to defraud a financial institution, and to obtain money and property owned by and under the custody and control of a financial institution by means of materially false and fraudulent pretenses, representations, and promises, contrary to Title 18, United States Code, Section 1344 (bank fraud);

b. to devise a scheme and artifice to defraud, and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, and for the purpose of executing such scheme and artifice, to utilize the United States mails, private and commercial interstate carriers, and interstate wire communications, contrary to Title 18, United States Code, Section 1341 (mail fraud), and Section 1343 (wire fraud);

c. to make, and cause to be made, in quarterly reports on Forms 10-Q, annual reports on Forms 10-K, and other reports and documents filed with the SEC pursuant to the Securities Act of 1933, Title 15, United States Code, Sections 77a et seq., and the Securities Exchange Act of 1934, Title 15, United States Code, Sections 78a et seq., statements which were false and misleading with respect to material facts, contrary to Title 15, United States Code, Section 78ff(a).

### **Object of the Conspiracy**

25. The principal object of the conspiracy was to obtain money and other things of value by, among other things, fraudulently inflating Suprema's sales and accounts receivable, inflating the value of Suprema's inventory, and misrepresenting the nature of some of Suprema's products. To achieve this object, the conspirators, including the defendants MARK COCCHIOLA and STEVEN VENECHANOS, engaged in a number of actions, some of which are described below.

### **Means and Methods of the Conspiracy**

#### **The Fraudulent Invoice Scheme**

26. From in or about 1994 to in or about early 2002, conspirators at Suprema, including the defendants MARK COCCHIOLA and STEVEN VENECHANOS, PL, AC, and John Van Sickell, fraudulently inflated Suprema's sales by causing the creation of false invoices and other documents designed to make it appear as if

Suprema had sold and shipped product to customers when in fact it had not. (This will be referred to hereafter as the "Fraudulent Invoice Scheme.") Specifically, they caused the creation of fraudulent documents, including purchase orders, invoices, and bills of lading, evidencing sales that never took place. These fraudulent sales were purportedly made to some of Suprema's customers who had agreed to participate in the fraudulent scheme. (These customers, collectively referred to as the "Customer Accomplices," included Jack Gaglio, Robert Quattrone, George Vieira, Lawrence Fransen, PZ, and their companies, A&J, Noble, California Goldfield, Battaglia, WSC, WCC, and Company T.) False purchase orders were created to make it appear as if the Customer Accomplices had ordered product from Suprema. Bills of lading were created and signed to make it appear as if the product purportedly ordered by the Customer Accomplices had been shipped. The creation of the false documents resulted in the creation of false invoices, which were delivered - by U.S. Mail, by private or commercial interstate carriers, or by hand - to the Customer Accomplices purportedly seeking payment for the fictitious shipments of product. The creation of the fraudulent invoices caused false sales and corresponding false accounts receivable to be entered on the books and records of Suprema, which consequently resulted in the inflation of revenue and assets in Suprema's financial statements.

27. To perpetuate the scheme and to conceal the fraudulent nature of these fictitious sales, the conspirators orchestrated sham circular transactions to make it appear as if Suprema's fraudulent invoices had been paid. This was done by generating fraudulent invoices to Suprema from companies related to, or in some manner affiliated with, the Customer Accomplices (the "Related Companies"). These invoices purportedly evidenced sales and shipments of product from the Related Companies to Suprema, when, in fact, these sales and shipments did not take place. Suprema sent checks to the Related Companies - by U.S. Mail, by private or commercial interstate carriers, or by hand - in purported payment of those fraudulent invoices. Drawing on the proceeds of the checks that Suprema had sent to the Related Companies, the Customer Accomplices caused checks to be sent to Suprema - also by U.S. Mail, by private or commercial interstate carriers, or by hand - to pay Suprema's fraudulent invoices to the Customer Accomplices.

28. These fraudulent circular paper transactions resulted in a flow of funds from Suprema to the Related Companies and from the Customer Accomplices back to Suprema. Typically, checks were sent from Suprema to the Related Companies in amounts greater than the corresponding checks sent from the Customer Accomplices to Suprema. The difference in the checks usually represented a payment to the Customer Accomplices and/or the

Related Companies for participating in the Fraudulent Invoice Scheme. Funds for the checks sent by Suprema to the Related Companies were often drawn on Suprema's line of credit, which increased as Suprema's reported accounts receivable grew.

29. To further perpetuate and conceal the fraudulent nature of these sales, conspirators at Suprema caused the Customer Accomplices to submit false audit confirmations to Suprema's auditors. The audit confirmations, which were requested by Suprema's auditors during the required annual audits of Suprema's financial statements, sought verification from the Customer Accomplices that the amounts reflected on Suprema's financial statements as accounts receivable were in fact due and owing by the Customer Accomplices. As the conspirators well knew, the sales and accounts receivable figures set forth on the audit confirmations for the Customer Accomplices were false and greatly inflated. Nevertheless, the Customer Accomplices signed, or caused the signing of, the false audit confirmations to conceal the fact that Suprema had recorded fictitious sales and accounts receivable on its books and records and, consequently, in its financial statements.

30. Between in or about 1994 and in or about January 2002, Suprema recorded over \$600 million in sales to the Customer Accomplices on its books and records. Most of these sales were

fabricated by the conspirators at Suprema and the Customer Accomplices.

### **The Fraudulent Inventory Scheme**

31. Conspirators at Suprema, along with some of the Customer Accomplices, also participated in a scheme relating to Suprema's inventory, which scheme was effectuated in one of at least two ways. (This will hereafter be referred to as the "Fraudulent Inventory Scheme".)

32. First, conspirators at Suprema made arrangements to buy large quantities of cheese on the condition that the seller of the cheese would not bill, or receive payment from, Suprema until a much later time. Typically, Suprema took possession of the cheese in the months leading up to the end of Suprema's fiscal year. However, although Suprema recorded the cheese as an asset of Suprema on its books and records prior to the end of the fiscal year, it did not at that time record the fact that it owed money to pay for the cheese. Suprema also did not pay for the cheese until at least the next fiscal year.

33. These arrangements allowed conspirators at Suprema to record the cheese as an asset without booking any corresponding liability. As a result, the conspirators at Suprema were able to make Suprema appear more profitable than it actually was during that fiscal year.

34. The second part of the Fraudulent Inventory Scheme

included the component of fraudulently mislabeling inventory that Suprema had received. For example, on various occasions during the time of the conspiracy, one of the Customer Accomplices, with the knowledge of, and at the direction of, conspirators at Suprema, caused the shipment of large quantities of imitation cheeses and other non-cheese products to Suprema or its outside warehouses. The shipments of these products usually occurred in the months leading up to the end of Suprema's fiscal year.

35. The Customer Accomplice agreed that payment for such products could be made on extended terms, such that although the product was shipped to Suprema before the end of the fiscal year, Suprema would not have to pay for it until the next fiscal year.

36. When the shipments of imitation cheeses and other non-cheese products arrived in New Jersey, one of the conspirators at Suprema usually met the delivery trucks and switched the product labels from ones correctly describing the contents to ones describing them as higher-priced real cheese. One of the conspirators at Suprema also replaced the bills of lading that accompanied those shipments with ones that falsely stated that the product delivered was higher-priced real cheese.

37. The relabeled product was falsely recorded on Suprema's books and records, as well as on the inventory records of outside warehouses, as if it were higher-priced real cheese,

not the imitation cheese or other non-cheese product that it in fact was. Through this practice, conspirators at Suprema caused Suprema to fraudulently inflate its inventory as reported in its books and records and in its financial statements.

38. As of approximately December 31, 2001, the books and records of Suprema indicated that Suprema possessed cheese inventory worth more than \$60 million. That number was greatly inflated.

#### **Adulteration of Suprema's Grated Cheese Products**

39. Conspirators at Suprema also caused the adulteration of some of Suprema's cheese products to reduce Suprema's costs and to boost Suprema's profits. For example, at the direction of conspirators at Suprema, Suprema employees regularly added imitation cheese and non-cheese products to some of Suprema's grated cheese products. These Suprema employees prepared, or were supplied with, ingredient formulas, which set forth the amounts of real cheese and imitation cheese or non-cheese products, among other things, that were to be used to create the grated product. The labels that were placed on the grated products falsely represented that the products were all natural cheese.

#### **False Representations to the Banks**

40. Conspirators at Suprema used these fictitious sales, fictitious accounts receivable, and fraudulent inventory



reports to obtain money from Fleet and the Participating Banks under the Revolving Loan Agreement. At various times during the course of the conspiracy, conspirators at Suprema submitted fraudulent borrowing base certificates, fraudulent accounts receivable aging reports, and fraudulent inventory reports to Fleet to obtain more money under the Revolving Loan Agreement than Suprema was otherwise entitled to borrow. These borrowing base certificates, which were certified as true and accurate by conspirators within Suprema's management, as well as the aging reports and inventory reports, were false in that they included the fictitious sales to the Customer Accomplices as well as overvalued inventory.

41. For example, on or about January 8, 2002, Suprema submitted a borrowing base certificate, along with an accounts receivable aging report and an inventory report, to Fleet in order to determine the amount of money that Suprema could borrow under the Revolving Loan Agreement. In this borrowing base certificate and accompanying documents, Suprema represented that, as of November 30, 2001, it had Eligible Accounts Receivable in the amount of \$103,626,735.00 and Eligible Inventory in the amount of \$63,219,249.00. This borrowing base certificate was certified by the defendant MARK COCCHIOLA as the CEO of Suprema.

42. These documents were false and fraudulent in that the purported Eligible Accounts Receivable included fictitious

accounts receivable described above. Specifically, of the \$103,626,735.00 that Suprema represented were Eligible Accounts Receivable, at least approximately \$85 million were fictitious. Moreover, the Eligible Inventory was inflated by at least \$8.5 million because it included imitation cheeses and other non-cheese products that had been fraudulently labeled and recorded as higher priced real cheese.

43. Similarly false and fraudulent borrowing base certificates and accompanying documents were submitted to Fleet throughout the course of the conspiracy and certified by the defendant STEVEN VENECHANOS, as Suprema's CFO. For example, between on or about August 23, 2000 and on or about November 20, 2001, the defendant STEVEN VENECHANOS certified approximately sixteen such false and fraudulent borrowing base certificates, which contained statements of Eligible Accounts Receivable that included fictitious accounts receivable, and which contained statements of Eligible Inventory that were inflated.

44. Because of these false and fraudulent submissions, Fleet and the Participating Banks made loans to Suprema in amounts far in excess of what Suprema would have legitimately been entitled to borrow, and as a result, Fleet and the Participating Banks suffered significant losses. Specifically, in a Proof of Claim filed with the Bankruptcy Court in 2002, Fleet and the Participating Banks reported a loss of

principal in excess of approximately \$65 million. To date, Fleet and the Participating Banks have recouped only approximately \$22 million of their losses in the Suprema bankruptcy proceeding.

**False Statements in Suprema's Annual and Quarterly Filings**

45. As described above, Suprema was required to file annual and quarterly reports with the SEC in which it disclosed, among other things, its purported financial condition and the results of its business operations. Specifically, after the end of its fiscal year (which ran from July 1 through June 30), Suprema was required to file an annual report on Form 10-K ("10K"). After each quarter of the fiscal year (that is, September 30, December 31, and March 31), Suprema was required to file a quarterly report on Form 10-Q ("10Q").

46. Throughout the course of the conspiracy, Suprema submitted false and fraudulent 10K's and 10Q's that falsely portrayed Suprema's financial condition and the results of its business operations. For example:

a. In its 10Q for the quarter ending on September 30, 2000, Suprema reported that it had net sales of approximately \$88,947,525.00 and total current assets of approximately \$127,717,340.00.

b. In its 10Q for the quarter ending on December

31, 2000, Suprema reported that it had net sales of approximately \$92,741,847.00 and total current assets of approximately \$142,097,284.00.

c. In its 10Q for the quarter ending on March 31, 2001, Suprema reported that it had net sales of approximately \$108,635,791.00 and total current assets of approximately \$160,311,598.00.

d. In its 10K for the fiscal year ending on June 30, 2001, Suprema reported that it had net sales of approximately \$420,363,142.00 and total current assets of approximately \$178,300,080.00.

e. In its 10Q for the quarter ending on September 30, 2001, Suprema reported that it had net sales of approximately \$142,650,042.00 and total current assets of approximately \$194,707,690.00.

47. These representations were false and fraudulent because more than one-half of the reported net sales on these filings consisted of fictitious sales to the Customer Accomplices and more than one-third of the total current assets consisted of fictitious accounts receivable, as well as inventory that was overvalued.

48. These false and fraudulent submissions to the SEC were signed by, among others, the defendants MARK COCCHIOLA and STEVEN VENECHANOS.

49. Besides filing these documents with the SEC, the defendants MARK COCCHIOLA and STEVEN VENECHANOS also caused the preparation and publication to investors and the public of press releases that included some of the false and fraudulent representations that were made in the SEC filings. One such instance occurred on or about November 15, 2001, when a press release was published announcing Suprema's net sales for the first quarter of fiscal year 2002, which ended on September 30, 2001.

**False Statements In Connection With Suprema's  
November 2001 Stock Offering**

50. In or about November 2001, Suprema made a secondary offering of 3,500,000 shares of common stock to the public at a price of \$12.75 per share. Part of this secondary offering consisted of shares that would be sold personally by the defendants MARK COCCHIOLA and STEVEN VENECHANOS, along with the Estate of PL.

51. In order to sell additional stock to the public in a secondary offering, the federal securities laws and regulations required Suprema to file with the SEC a registration statement and a prospectus, which were supposed to, among other things, provide an accurate picture of Suprema's business and finances to the investing public.

52. On or about September 17, 2001, Suprema filed its

registration statement on Form S-2 with the SEC. On or about October 12, 2001 and November 6, 2001, Suprema filed with the SEC amendments to this registration statement on Form S-2A. (This registration statement, along with the amendments thereto, will be referred to as the "2001 Registration Statement.") On or about November 8, 2001, Suprema filed a prospectus with the SEC on Form 424B1 (the "2001 Prospectus"). The 2001 Prospectus was, in many instances, then mailed or sent by private or commercial interstate carriers to potential investors.

53. The 2001 Registration Statement and the 2001 Prospectus were false and fraudulent in the following ways, among others:

a. The 2001 Registration Statement and the 2001 Prospectus stated that, for the fiscal year ending June 30, 2001, Suprema's net sales were approximately \$420,363,142.00, when in fact, at least one-half of those sales were fictitious sales to the Customer Accomplices.

b. The 2001 Registration Statement and the 2001 Prospectus stated that, for the fiscal year ending June 30, 2001, Suprema's total current assets were approximately \$178,300,080.00, when in fact, at least one-third of those assets consisted of fictitious accounts receivable, as well as inventory that was overvalued.

c. The 2001 Registration Statement and the 2001

Prospectus stated that Suprema manufactured and marketed all-natural cheeses that did not contain any preservatives, additives, sweeteners, dehydrated fillers or artificial flavorings, when in fact, Suprema manufactured and marketed cheeses that contained additives, fillers, artificial cheese, and other non-natural cheese ingredients.

54. As part of their efforts to promote the sale of Suprema stock in the secondary offering, the defendants MARK COCCHIOLA and STEVEN VENECHANOS also attended a series of "road show" presentations to institutional investors and retail stock brokers. At these "road shows," the defendants MARK COCCHIOLA and STEVEN VENECHANOS promoted Suprema as a rapidly growing company with a consistent record of increasing sales. Moreover, the defendants MARK COCCHIOLA and STEVEN VENECHANOS presented the false and fraudulent sales figures described above to support that proposition.

55. In or about November 2001, the SEC declared Suprema's Registration Statement effective, which allowed the secondary offering to occur. As a result, Suprema sold 3,500,000 shares of common stock at \$12.75 a share, yielding total proceeds to Suprema, after the deduction of underwriting fees and commissions, of \$41,510,000.00.

56. As part of that secondary offering, the defendants

MARK COCCHIOLA and STEVEN VENECHANOS, along with the Estate of PL, also sold Suprema common stock and realized substantial profits. Specifically, the defendant MARK COCCHIOLA realized a profit of over \$2.5 million. The defendant STEVEN VENECHANOS realized a profit of over \$1 million. The Estate of PL realized a profit of over \$2.5 million.

57. On or about December 21, 2001, NASDAQ suspended trading of Suprema stock. At that time, there were approximately 9.8 million shares of Suprema common stock outstanding, which were then trading at approximately \$13 per share. In or about March 2002, NASDAQ delisted Suprema's stock, rendering it virtually worthless to shareholders.

#### **Overt Acts**

58. In furtherance of the conspiracy and to effect its unlawful objects, the defendants MARK COCCHIOLA and STEVEN VENECHANOS, and others, committed the following overt acts, among others, in the District of New Jersey and elsewhere:

a. On or about the dates listed below, the defendant MARK COCCHIOLA certified false and fraudulent borrowing base certificates, which were sent to Fleet:

1. January 8, 2002; and
2. January 23, 2002.

b. On or about the dates listed below, the defendant



STEVEN VENECHANOS certified false and fraudulent borrowing base certificates, which were sent to Fleet:

1. August 23, 2000;
2. September 22, 2000;
3. October 25, 2000;
4. November 21, 2000;
5. December 18, 2000;
6. January 26, 2001;
7. February 28, 2001;
8. March 16, 2001;
9. April 23, 2001;
10. May 21, 2001;
11. June 27, 2001;
12. July 23, 2001;
13. August 22, 2001;
14. September 18, 2001;
15. October 16, 2001; and
16. November 20, 2001.

c. On or about the dates listed below, the defendants MARK COCCHIOLA and STEVEN VENECHANOS signed false and fraudulent documents that were required to be filed, and that were filed, with the SEC:

1. November 14, 2000 -- 10Q;
2. February 13, 2001 -- 10Q;

3. May 15, 2001 -- 10Q;
4. September 17, 2001 - S-2;
5. September 28, 2001 -- 10K;
6. October 12, 2001 - S-2A;
7. November 6, 2001 - S-2A; and
8. November 14, 2001 -- 10Q.

d. On or about the dates listed below, the defendant MARK COCCHIOLA signed a request by Suprema to borrow money from Fleet and the Participating Banks pursuant to the Revolving Loan Agreement:

1. January 22, 2002; and
2. February 1, 2002.

e. On or about the dates listed below, the defendant STEVEN VENECHANOS signed a request by Suprema to borrow money from Fleet and the Participating Banks pursuant to the Revolving Loan Agreement:

1. December 7, 2001; and
2. December 19, 2001.

f. In or about February 2000, the defendants MARK COCCHIOLA and STEVEN VENECHANOS, along with AC and PL, met at Suprema's Paterson Facility to discuss ways to conceal the Fraudulent Invoice Scheme and the Fraudulent Inventory Scheme from a field examiner sent to Suprema by Fleet.

g. On or about August 24, 2001, the defendants

MARK COCCHIOLA and STEVEN VENECHANOS, along with AC and PL, met at Suprema's Paterson Facility and discussed checks that were issued in connection with the Fraudulent Invoice Scheme and that were related to PZ.

h. On or about August 28, 2001, the defendants MARK COCCHIOLA and STEVEN VENECHANOS, along with AC, met at a restaurant in New Jersey and discussed, among other things, the continuation of the Fraudulent Invoice Scheme and the Fraudulent Inventory Scheme in light of the death of PL the previous day.

i. On or about August 29, 2001, at the wake for PL, the defendant MARK COCCHIOLA told Jack Gaglio, among other things, that business would continue as usual following PL's death.

j. On or about August 29, 2001, at the wake for PL, the defendant MARK COCCHIOLA told George Vieira, among other things, that business would continue as usual following PL's death.

k. On or about September 4, 2001, Jack Gaglio caused the transmission of four faxes from California to Suprema's Paterson Facility, which faxes related to the Fraudulent Invoice Scheme and the Fraudulent Inventory Scheme.

l. On or about September 4, 2001, the defendants

MARK COCCHIOLA and STEVEN VENECHANOS, along with AC, met at Suprema's Paterson Facility and discussed the faxes that Jack Gaglio had caused to be sent.

m. In or about September 2001, Robert Quattrone met with the defendant MARK COCCHIOLA and AC at Suprema's Paterson Facility and discussed the continuation of the Fraudulent Invoice Scheme and the Fraudulent Inventory Scheme after the death of PL.

n. In or about October 2001, the defendants MARK COCCHIOLA and STEVEN VENECHANOS attended a series of "road show" presentations at several locations in the United States to promote the sale of Suprema stock in the secondary offering.

o. In or about December 2001, the defendants MARK COCCHIOLA and STEVEN VENECHANOS, along with AC, met with Jack Gaglio in California and discussed, among other things, the Fraudulent Invoice Scheme and the Fraudulent Inventory Scheme.

p. On or about January 27, 2002, the defendant MARK COCCHIOLA met with representatives of Fleet and provided false and misleading information about some of the Customer Accomplices.

q. On or about February 7, 2002, the defendant MARK COCCHIOLA flew from New Jersey to Miami, Florida to meet with George Vieira at the Miami International Airport.

All in violation of Title 18, United States Code,  
Section 371.

**COUNTS 2-12**

**(Bank Fraud)**

1. Paragraphs 1-23 and 25-57 of Count 1 are repeated and realleged as if set forth in full herein.

2. From in or about 1994 to in or about March 2002, the defendants MARK COCCHIOLA and STEVEN VENECHANOS, and others, devised a scheme and artifice to defraud Fleet, and the Participating Banks, and to obtain moneys, funds, credits, assets, securities, and other property owned by, and under the custody and control of, Fleet, and the Participating Banks, by means of materially false and fraudulent pretenses, representations, and promises, which scheme and artifice is described in substance in Count 1.

3. On or about the dates indicated below, in the District of New Jersey, and elsewhere, the defendants

MARK COCCHIOLA and  
STEVEN VENECHANOS

knowingly and willfully executed and attempted to execute the above described scheme and artifice to defraud Fleet, and the Participating Banks, and to obtain moneys, funds, credits, assets, securities, and other property owned by, and under the custody and control of, Fleet, and the Participating Banks, by means of materially false and fraudulent pretenses, representations, and promises, by submitting to Fleet borrowing base certificates and accounts receivable aging reports that were

false and fraudulent in that they overstated Suprema's Eligible Accounts Receivable because between approximately 60% and 80% of the stated Eligible Accounts Receivable consisted of fictitious accounts receivable, as set forth below:

COUNT	APPROXIMATE SUBMISSION DATE	CERTIFIED BY	STATED ELIGIBLE ACCOUNTS RECEIVABLE	APPROXIMATE % OF STATED ACCOUNTS RECEIVABLE THAT WAS FICTITIOUS
2	Aug. 23, 2000	S. Venechanos	\$58,434,242.00	60%
3	Sep. 22, 2000	S. Venechanos	\$63,768,462.00	70%
4	Oct. 25, 2000	S. Venechanos	\$67,941,494.00	70%
5	Nov. 21, 2000	S. Venechanos	\$69,829,459.00	75%
6	Dec. 18, 2000	S. Venechanos	\$72,296,180.00	80%
7	Jan. 26, 2001	S. Venechanos	\$73,473,716.00	80%
8	Feb. 28, 2001	S. Venechanos	\$76,577,640.00	80%
9	Mar. 16, 2001	S. Venechanos	\$81,503,041.00	75%
10	Apr. 23, 2001	S. Venechanos	\$84,975,339.00	75%
11	May 21, 2001	S. Venechanos	\$91,462,096.00	75%
12	Jun. 27, 2001	S. Venechanos	\$97,948,649.00	75%

All in violation of Title 18, United States Code,  
Sections 1344 and 2.

**COUNTS 13-18**

**(Bank Fraud)**

1. Paragraphs 1-23 and 25-57 of Count 1 are repeated and realleged as if set forth in full herein.

2. From in or about 1994 to in or about March 2002, the defendants MARK COCCHIOLA and STEVEN VENECHANOS, and others, devised a scheme and artifice to defraud Fleet, and the Participating Banks, and to obtain moneys, funds, credits, assets, securities, and other property owned by, and under the custody and control of, Fleet, and the Participating Banks, by means of materially false and fraudulent pretenses, representations, and promises, which scheme and artifice is described in substance in Count 1.

3. On or about the dates indicated below, in the District of New Jersey, and elsewhere, the defendants

MARK COCCHIOLA and  
STEVEN VENECHANOS

knowingly and willfully executed and attempted to execute the above described scheme and artifice to defraud Fleet, and the Participating Banks, and to obtain moneys, funds, credits, assets, securities, and other property owned by, and under the custody and control of, Fleet, and the Participating Banks, by means of materially false and fraudulent pretenses, representations, and promises, by submitting to Fleet borrowing base certificates, accounts receivable aging reports, and



inventory reports that were false and fraudulent in that (a) they overstated Suprema's Eligible Inventory by approximately \$8.5 million in each submission described below; and (b) they overstated Suprema's Eligible Accounts Receivable because between approximately 70% and 80% of the stated Eligible Accounts Receivable consisted of fictitious accounts receivable, as set forth below:

COUNT	APPROXIMATE SUBMISSION DATE	CERTIFIED BY	STATED ELIGIBLE ACCOUNTS RECEIVABLE	APPROXIMATE % OF STATED ACCOUNTS RECEIVABLE THAT WAS FICTITIOUS
13	Jul. 23, 2001	S. Venechanos	\$102,504,680.00	75%
14	Aug. 22, 2001	S. Venechanos	\$101,190,441.00	75%
15	Sep. 18, 2001	S. Venechanos	\$104,198,670.00	70%
16	Oct. 16, 2001	S. Venechanos	\$104,975,124.00	75%
17	Nov. 20, 2001	S. Venechanos	\$103,803,536.00	80%
18	Jan. 08, 2002	Mark Cocchiola	\$103,626,735.00	80%

All in violation of Title 18, United States Code, Sections 1344 and 2.

**COUNTS 19-23**

**(False Statements in Reports Required to be Filed with the SEC)**

1. Paragraphs 1-23 and 25-57 of Count 1 are repeated and realleged as if set forth in full herein.

2. On or about the dates indicated below, in the District of New Jersey, and elsewhere, the defendants

MARK COCCHIOLA and  
STEVEN VENECHANOS

knowingly and willfully made and caused to be made statements in reports and documents required to be filed under the Securities Exchange Act of 1934, Title 15, United States Code, Sections 78a et seq., and the rules and regulations promulgated thereunder, which were false and misleading with respect to material facts, in that the defendants signed and caused to be filed with the SEC a 10K and four 10Q's in which Suprema's net sales and total assets were inflated in the manner described in paragraphs 45 to 49 of Count 1, as set forth below:

COUNT	SEC FORM	TYPE OF FILING	PERIOD COVERED	APPROXIMATE FILING DATE
19	10-Q	Quarterly Report	First quarter ("Q1") FY01 ending 9/30/00	Nov. 14, 2000
20	10-Q	Quarterly Report	Q2/FY01 ending 12/31/00	Feb. 13, 2001
21	10-Q	Quarterly Report	Q3/FY01 ending 3/31/01	May 15, 2001
22	10-K	Annual Report	FY01 ending 6/30/01	Sep. 28, 2001
23	10-Q	Quarterly Report	FY02/Q1 ending 9/30/01	Nov. 14, 2001

All in violation of Title 15, United States Code,  
Section 78ff(a), and Title 18, United States Code, Section 2.

**COUNTS 24-27**

**(False Statements in Documents Required to be Filed with the SEC)**

1. Paragraphs 1-23 and 25-57 of Count 1 are repeated and realleged as if set forth in full herein.

2. On or about the dates indicated below, in the District of New Jersey, and elsewhere, defendants

MARK COCCHIOLA and  
STEVEN VENECHANOS

knowingly and willfully made and caused to be made statements in reports and documents required to be filed under the Securities Act of 1933, Title 15, United States Code, Sections 77a et seq., and the rules and regulations promulgated thereunder, which were false and misleading with respect to material facts, in that the defendants signed and caused to be filed with the SEC documents in connection with the issuance of securities, in which Suprema's net sales were inflated, its total assets were inflated, and its cheese products were falsely described as "natural", in the manner described in paragraphs 50-57 of Count 1, as set forth below:

COUNT	SEC FILING	TYPE OF FILING	APPROXIMATE FILING DATE
24	S-2	Registration statement	Sept. 17, 2001
25	S-2A	Amendment No. 1 to Form S-2	Oct. 12, 2001
26	S-2A	Amendment No. 2 to Form S-2	Nov. 6, 2001
27	424B1	Prospectus	Nov. 8, 2001

All in violation of Title 15, United States Code,  
Sections 77x and 78ff(a), and Title 18, United States Code,  
Section 2.

**COUNTS 28-33**

**(Wire Fraud)**

1. Paragraphs 1-23 and 25-57 of Count 1 are repeated and realleged as if set forth in full herein.

2. From in or about 1994 to in or about March 2002, in the District of New Jersey, and elsewhere, the defendants MARK COCCHIOLA and STEVEN VENECHANOS, and others, knowingly and willfully devised and intended to devise a scheme and artifice to defraud, and for obtaining money and property by means of materially false and fraudulent pretenses, representations, and promises, which scheme and artifice is set forth in substance in Count 1.

3. On or about the dates listed below, for the purpose of executing and attempting to execute this scheme and artifice to defraud, and for obtaining money and property by means of materially false and fraudulent pretenses, representations, and promises, in the District of New Jersey, and elsewhere, the defendants

MARK COCCHIOLA and  
STEVEN VENECHANOS

transmitted and caused to be transmitted in interstate commerce by means of wire communications certain writings, signs, signals, pictures, and sounds, as described below:

COUNT	DATE	WIRE TRANSMISSION
28	Sept. 4, 2001	Interstate fax transmission "re: Whitehall" from A&J in California to Suprema in New Jersey.
29	Sept. 4, 2001	Interstate fax transmission "re: Whitehall '1/4 end'" from A&J in California to Suprema in New Jersey.
30	Sept. 4, 2001	Interstate fax transmission "re: A&J Cheese" from A&J in California to Suprema in New Jersey.
31	Sept. 4, 2001	Interstate fax transmission "re: Garnett" from A&J in California to Suprema in New Jersey.
32	Dec. 7, 2001	Interstate fax transmission from Suprema in New Jersey to Fleet in Massachussets of a request by Suprema, signed by the defendant STEVEN VENECHANOS, to borrow money pursuant to the Revolving Loan Agreement.
33	Dec. 19, 2001	Interstate fax transmission from Suprema in New Jersey to Fleet in Massachussets of a request by Suprema, signed by the defendant STEVEN VENECHANOS, to borrow money pursuant to the Revolving Loan Agreement.

All in violation of Title 18, United States Code,  
Sections 1343 and 2.

**COUNT 34**

**(Wire Fraud)**

1. Paragraphs 1-23 and 25-57 of Count 1, and paragraph 2 of Counts 28-33, are repeated and realleged as if set forth in full herein.

2. On or about January 22, 2002, for the purpose of executing and attempting to execute this scheme and artifice to defraud, and for obtaining money and property by means of materially false and fraudulent pretenses, representations, and promises, in the District of New Jersey, and elsewhere, the defendant

MARK COCCHIOLA

transmitted and caused to be transmitted in interstate commerce by means of wire communication certain writings, signs, signals, pictures, and sounds, to wit, an interstate fax transmission from Suprema in New Jersey to Fleet in Massachusetts of a request by Suprema, signed by the defendant MARK COCCHIOLA, to borrow money pursuant to the Revolving Loan Agreement.

In violation of Title 18, United States Code, Sections 1343 and 2.



**COUNTS 35-38**

**(Mail Fraud)**

1. Paragraphs 1-23 and 25-57 of Count 1, and paragraph 2 of Counts 28-33, are repeated and realleged as if set forth in full herein.

2. On or about the dates listed below, for the purpose of executing and attempting to execute this scheme and artifice to defraud, and for obtaining money and property by means of materially false and fraudulent pretenses, representations, and promises, in the District of New Jersey, and elsewhere, the defendants

MARK COCCHIOLA and  
STEVEN VENECHANOS

placed and caused to be placed in a post office and authorized depository for mail matter, certain matter and things to be sent and delivered by the United States Postal Service, and deposited and caused to be deposited certain matter and things to be sent and delivered by private and commercial interstate carriers, and took and received therefrom, such matter and things, and knowingly caused to be delivered by mail and by such carriers according to the direction thereon, and at the place at which they were directed to be delivered by the person to whom they were addressed, such matter and things, as set forth below:

COUNT	DATE	MAILING
35	Nov. 8, 2001	Mailing of the 2001 Prospectus to a purchaser of Suprema common stock in New Jersey.
36	Nov. 9, 2001	Mailing of the 2001 Prospectus to a purchaser of Suprema common stock in New Jersey.
37	Nov. 26, 2001	Sending a check via United Parcel Service from Suprema in New Jersey to WSC in California.
38	Dec. 11, 2001	Sending a check via Federal Express from Suprema in New Jersey to WSC in California.

All in violation of Title 18, United States Code,  
Sections 1341 and 2.

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FOREPERSON

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CHRISTOPHER J. CHRISTIE  
UNITED STATES ATTORNEY